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MINISTRY OF COMMERCE & INDUSTRY

RESOLUTION

New Delhi, the 22nd February 1961

No. 17(16)-Tex(D)/60.—The National Industrial Development Corporation, set up in January, 1960 a Working Group to draw up a programme of Rehabilitation and modernisation of the Woollen Industry.

2. The Working Group comprised of the following members:

1. Shri D. S. Joshi, Textile Commissioner—Chairman.
2. Shri V. Calloway—Member.
3. Shri N. Majumder—Member.
4. Shri R. K. Birla—Member.
5. Shri D. C. Mehra—Member.
6. Shri H. R. Dhandha—Member.
7. Shri T. N. Khalton—Member.
8. Shri Dharam Dev—Secretary.

3. The task assigned to the Working Group was to review the present position of the Woollen Industry and in particular of its plant and machinery and to make recommendations for the rehabilitation and modernisation thereof in as short a time as was feasible and also to assess the extent of finances required for the same.

4. The Working Group has submitted a unanimous report. During the course of its inquiry, the Group held discussions with several of the industry's associations and Labour unions and also visited several representative mills so as to have the benefit of the views of the Industry and to make an on the spot examination of the machinery installed and its general condition.

5. The Working Group has emphasised the urgent need for rehabilitation and modernisation of the Woollen Industry within a period of 5-6 years. The recommendations of the Working Group are summarised in the Annexure to the Resolution. Government are broadly in agreement with some of the major recommendations of the working Group.

6. The Working Group has assessed the total requirements for the entire rehabilitation programme of the Industry at Rs. 11.25 crores, consisting of Rs. 10.25 crores for plant and machinery and Rs. 1.00 crore for land and buildings. Out of the expenditure of Rs. 10.25 crores, the foreign exchange component has been assessed at Rs. 9.25 crores for import of plant and machinery, and Rs. 1.75 crores will have to be spent on machinery being produced indigenously.

The Working Group is of the view that the Industry itself will be able to meet the expenditure on rehabilitation programme to the extent of 75 per cent of the total requirements and that the balance, which would work out to Rs. 2.81 crores will have to come from State lending institutions. The Working Group has further recommended that the National Industrial Development Corporation should extend its loan assistance facilities to the Woollen Industry for meeting the Industry's rehabilitation requirements.

Government have given their careful consideration to the recommendation and have decided that for the present, the National Industrial Development Corporation with its limited resources will not be in a position to extend its loan assistance facilities to the Woollen Industry, particularly in view of the heavy demand from the Cotton Textile and Jute Industry for rehabilitation and modernisation.

7. The Working Group have recommended that essential expenditure on spare parts should be first charge on foreign exchange resources and that Government may make adequate provision for this.

Government have accepted this recommendation in principle. At present while issuing essentiality certificates, highest priority is given for import of spares which have no indigenous angle. In future also after ascertaining the position about the spare parts manufactured indigenously, priority would be given for import of other items of spare parts.

8. The Working Group has recommended that efforts should be made to fabricate certain finishing and preparatory machinery in the Third Plan Period indigenously which may conserve foreign exchange to the extent of Rs. 1 crore. The spinning, powerloom and finishing machinery would, however, be required to be imported as development in the manufacture of the same will take considerable time and experience and such development should be explored in the Fourth Plan period.

Government have accepted the recommendation in principle. A Committee has recently been set up to assess the demand of machinery for different textile industries. Industry in relation to the indigenous capacity and to take suitable steps to bridge the gap between demand and supply. The possibility of manufacturing all woollen finishing and preparatory machinery will be fully explored by this Committee.

9. As a measure to step up the programme of rehabilitation of the Woollen Industry, the Working Group have recommended that the present export incentive scheme may be modified to provide an increase in import entitlement for machinery from 10 per cent to 20 per cent of the value of exports. This recommendation is being examined by Government.

10. Government have also accepted the recommendation of the Working Group that the foreign exchange earned by exporting old machinery should be allowed to be utilised for the import of permissible types of new machinery for replacement of the old machinery exported. Government have also decided to consider on a priority basis the need for release of foreign exchange for the requirements of plant and machinery to be imported, not covered by the export incentive schemes and rupee payment purchases, for modernisation and rehabilitation of the Woollen Industry.

11. The Working Group has recommended that, in the general interest of the Woollen Industry, the disparity in application of the excise duty to be narrowed on the consideration that non-excisable units are not really small scale manufacturers. There are several disadvantages of fragmentation such as deterioration in the quality of products manufactured and the inability of small units to take full advantage of installation of latest type of machinery. The Working Group has, therefore, recommended that the question of excise duty be reviewed by the Government so that the position of the Industry is consolidated.

Government are examining this recommendation.

ORDER

Ordered that the resolution be published in the Gazette of India and that it be communicated to all concerned.

ANNEXURE

Summary of conclusions and recommendations made in the report of the Working Group for the Rehabilitation and Modernisation of the Woollen Industry, 1960.

1. The machinery manufacturers everywhere now are embodying principles of automation and electronic controls which make it possible not only to have greater productivity and efficiency and to reduce the cost of manufacture, but which at the same time reduce the stress and strain of the operatives, improve quality of production and a saving in floor space for housing the machinery and reduce the wastage of raw materials.

2. Some of the woollen machinery installed is so dilapidated that it would ultimately be more economical to replace the entire machinery rather than to replace parts. Some of the mills are finding increasingly difficult to procure spare parts as the original makers of some of these machines were not in existence or have changed their lines of manufacture.

3. There is considerable rehabilitation and modernisation of the industry, taking place in other countries, specially in Germany, Japan, Italy and several Communist countries.

4. There have been many-sided technological development in the woollen industry and unless country keeps pace with the developments, the progress so far achieved in expansion of the industry will be of not much avail.

5. After making due allowance for depreciation of new machinery, increased wages to operatives to compensate for additional workload, there has been a saving of approximately 20 per cent, in the cost of manufacture of fine worsted yarn on the latest type of machinery installed by a woollen mill in the country.

6. With the introduction of the latest type of box looms, a pair of which can be operated by one operative, the same results in saving of approximately 30 per cent of the cost of production after making a provision for depreciation allowance to be allowed for new plants and increased wages to operatives.

7. One operative with the helper can attend from 6 to 10 Texmaco Tape looms converted into semi-automatic looms, with the addition of George Fisher shuttle changing equipment. This results in an increased earning to the worker by Rs. 0.71 per day in the basic wage.

8. In most of the manufacturing centres in India, a weaver attends to one box loom only which by modern standard is inadequate. The weavers in U.K. look after at least a pair of such looms and on automatic looms, it is customary to attend to 6 or more.

9. Given the right type of equipment, the industry can substantially increase its export performance, reduce costs, improve quality of cloth and at the same time give better earnings to workers and better conditions of work without unduly disturbing the employment position.

10. With limited foreign exchange resources available on the one hand and the competing demand on such slender resources by all other industries for their development projects on the other, it is of utmost importance to co-ordinate planning and rehabilitation of the industry in such a manner that it is related to the targets and means of production.

11. The development of wool combing in India and the establishment of shoddy wool making plants will, apart from achieving self-sufficiency in the matter of supply of essential raw material, result in some saving in foreign exchange resources.

12. In the Worsted Spinning Sector, there are some fairly new units where replacement of the machinery has been sought. In such cases, it is considered that although the industry should be free to install the latest type of machinery, the objective will be well served if suitable modifications are made in the existing plants by having Auto Levellers and Super Drafting equipment fixed in the existing machinery. This will give considerable benefits such as reduction of operations, operatives, cost of manufacture and less wastage of raw materials without having to spend large amount of foreign exchange in replacement of complete machinery.

13. In the Woollen Spinning Sector although the machinery is very old and in many cases being much older than the corresponding machinery in the Worsted Spinning Sector, the programme of rehabilitation submitted by the Industry is extremely modest. The urge for replacement in the sector has not been so great as this sector is not as prosperous as the Worsted Spinning Sector and has not got the necessary monetary resources to meet any large scale programme of rehabilitation. Further, the technological advancement in machinery designs have not been as outstanding in the Woollen Spinning Sector as in the Worsted Spinning Sector and some of the new innovations can be easily incorporated in the existing woollen spinning plants with minor adjustments.

14. It is not considered advantageous for a mill having less than 50 powerlooms to replace the same by automatic powerlooms. In such cases, the establishment will do well to replace their old looms by Drop Box or any other type of powerloom which will enable them to produce specialised and varied types of fabrics.

15. The sooner the disparity between most up-to-date unit and more backward one is narrowed, the better would it be for the industry as a whole as well as the community at large.

16. The total estimates of requirements for the entire rehabilitation programme of the industry is Rs. 11.25 crores i.e. Rs. 10.25 crores for plant and machinery and Rs. 1 crore for land and building (installation of machinery, better ventilation and lighting facilities etc.).

17. The industry on the whole has maintained the machinery well despite the difficulty in procuring imported spare-parts and components, in time.

18. A large number of uneconomic units with dilapidated machinery which had remained closed for a long time in the past, have of late restarted production because of the high prices of woollens ruling in the market.

19. The essential expenditure of spare parts should be the first charge on foreign exchange resources and the Government may consider the feasibility of making adequate provision for the same as any negligence in this regard will eventually result in greater expenditure of foreign exchange.

20. The Cotton textile machinery manufacturing industry is fairly large-sized and it is this industry which may be expected to undertake the manufacture of machinery for the woollen industry also. At present, however, this industry is fully occupied in manufacturing machinery for the cotton textile industry itself.

21. Efforts should be made to fabricate certain finishing and preparatory machinery in the Third Five Year Plan indigenously which may conserve foreign exchange to the extent of Rs. 1 crore. The spinning, powerloom and finishing would require to be imported. As development in the manufacture of the same will take considerable time and experience, such development be explored in the Fourth Five Year Plan.

22. The total foreign exchange required for the entire rehabilitation programme in the Third Five Year Plan would be Rs. 9.25 crores and the machinery valued at Rs. 1.75 crores be produced indigenously.

23. The Export Promotion Delegation which is proceeding abroad some time in August, 1960, *inter alia* should visit East European countries so as to examine the standard and type of machinery manufactured there, ascertain prices of the same and delivery period so that a comparison can be made with the machinery manufactured in U.K., Germany, Japan, Switzerland and other countries.

24. It will not be difficult for the industry to finance from its own resources 75 per cent of the envisaged expenditure required or by its own banking arrangement for rehabilitation. The resources of State lending institutes will be needed only up to 25 per cent of the capital required.

25. There should be no appreciable difficulty for the industry to meet the additional charges i.e. interest on loan to finance rehabilitation programme.

26. The products of the industry have a very secure internal market. The industry has been enjoying protection under the present policy of Government.

27. The industry can increase its export performance given the right type of equipment.

28. For the import of machinery for the spinning sector which produces yarn going into carpets, a suitable scheme be devised so that this sector also gets necessary foreign exchange. For import of machinery, if any other link between supply of yarn to export carpets can be devised, it may be left to the exporters of carpets to nominate spinners who could get the licences for the import of spinning machinery.

29. Apart from allowing the latest machinery which other countries now possess, the question of liberalisation of import incentives against exports till such time as the industry's products are well introduced in the overseas markets needs to be examined.

30. The progress would be commendable if the country exports anywhere around 20 per cent of the projected production targets of the Third Five Year Plan.

31. It may be necessary to raise the present incentive for import of machinery from 10 per cent to 20 per cent of the F.O.B. value of exports to enable the industry to carry out its rehabilitation programme in a period of 5 to 6 years. A suitable scheme be devised by the Woollen Development Council as modification of the existing scheme.

32. The spinning mills can be accommodated in the Export Promotion link by their obtaining certificates of exports effected by hosiery and shawl manufacturers with the proviso that the latter will pass on to the spinners some portion of the incentive so that by such a link the spinning mills are able to procure licences for machinery against replacement. It may also be stipulated that the spinners provide the yarn to hosiery units at fair prices. The Woollen Development Council should, *inter alia*, consider this aspect while formulating a new scheme in collaboration with the Textile Commissioner.

33. There are no encouraging signs of export of old machinery but this cannot be entirely ruled out. If any firm succeeds exporting its old machinery, the benefits of foreign exchange thus earned be made available to such units against replacement of their old machinery.

34. There will be no apprehension of reduction in the number of people employed in this industry by rehabilitation.

35. There are definite gains both to labour as well as to management in the form of higher productivity for the industry and increased wages to the workers, if rehabilitation of the industry is allowed.

36. The programme of rehabilitation be effected where the management agrees to abide by the decision of the Fifteenth session of the Indian Labour Conference held in Delhi in 1957.

37. There should not be any reduction in value of foreign exchange allocation for raw materials in the Third Five Year Plan to what is being allocated at present.

38. There is considerable unsatisfied demand for woollen manufacture in the country. If in future it becomes possible to enhance the foreign exchange allocation, this increase should first be utilised towards the import of cheaper raw material such as Rags, Shoddy and Waste wool for manufacture of Blankets, Tweeds and Rugs required by the poor and middle class people in the country. In such cases, the Government of India should also consider the feasibility of allowing the woollen spinning concerns to divert some of their production towards the manufacture of shoddy yarn so as to meet the basic needs of the nation.

39. It is in the general interest of the woollen industry that the disparity in application of excise duty be narrowed on the consideration that non-excisable units are not really small scale manufacturers. There are several disadvantages of fragmentation such as deterioration in the quality of products manufactured and the inability of small units to take full advantage of installation of latest machinery. The question of excise duty be reviewed by the Government so that the position of the industry is consolidated.

40. The woollen industry has a good future in this country and the industry will be able to play a significantly important role in the economy and well being of the nation.

41. There is increased demand for raw wool and its products throughout the world despite the fact that there is severe competition with other fibres especially man-made fibres. The Woollen industry in India is assured of a very good future if the industry is given up-to-date machinery.

C. S. RAMACHANDRAN, Jt. Secy.